

THE WHITE HOUSE

WASHINGTON

October 24, 1983

Dear Dave:

I want to express my strong appreciation for your efforts on behalf of the Administration's position to maintain the flexible character of the IMF in order to preserve the IMF's effectiveness in serving our national interest.

Enactment of any amendment that limits the use of IMF funds -- including the amendment regarding "communist dictatorships" referred to in letters from some of your colleagues, or any other such amendment -- would unnecessarily tie the hands of the IMF, thus diminishing its effectiveness and adversely affecting the interests of the United States. While I understand much rhetoric and controversy has surrounded this issue, it is my hope that differences on both sides of the aisle could be laid aside, thus allowing for early passage.

It is this bipartisan tradition, and the awareness of the significant role which the Fund has played in protecting the vital interest of the United States, which gives me confidence that we can maintain an effective consensus. Thank you again for your help.

Sincerely,

*Ronald Reagan*

The Honorable David R. Obey  
House of Representatives  
Washington, D.C. 20515

# Federal Reserve Is Big Lie

EXCLUSIVE TO THE SPOTLIGHT

By John E. Brown

The "big lie" takes many forms. Among them, and not necessarily in the order of evilness, are the outright fabrication, the half-truth, and failure to disclose the truth when it is known.

Also related to the lie is the trick name given to a distasteful law or program. To cite a few of these: the Internal Revenue "Service," public "service," and banking "service." Then we have the high-sounding "entitlements" and "grants in aid," instead of the less savory terms: "giveaways," "handouts" and "boondoggles."

I wish to limit myself here to a discussion of the most deceitful of all lies, the Federal Reserve System. If ever a name was chosen to conceal the real evil and to cloak in honorable attire all the greed and avarice the Federal Reserve (Fed) stands for, it is this one.

The Fed is as federal as the Federal Bakery or Federal Dry Cleaners down your street. It is absolutely not a part of our government. Its employees are not civil servants. It is answerable to no one—not to our president, not to Congress. There is not even a semblance of an oversight committee in Congress; the Fed has never been audited, and it is excused from paying income taxes on its outrageous annual profits.

The "Reserve" part of the name is one of those half-truths I referred to. Whatever reserve it alludes to is "fractional," and the fraction is determined by the members to suit their whims, often varying from 1/2 to 1/8. That is, at a fraction of 1/2, they may lend out twice the real savings of thrifty people and businesses; if the fraction is 1/8, they may lend as much as eight times those savings. It is highly profitable to lend \$8,000 at 15 percent interest while paying the saver perhaps 7 percent on his \$1,000 "reserve."

It is very interesting to ponder just where the commercial ("full-service") banks get the money to lend out on this crazy, fractional-reserve basis. Why, they just create it out of nothing. Mostly, they don't even need to print it, although the Fed has unlimited authority to order out notes from our U.S. Bureau of Engraving and Printing, paying only a token \$32 per 1,000 notes, regardless of denomination. No, mostly they just make an "entry" in their ledgers, or enter the amount in a computer. The borrower spends the proceeds by checks, and the recipients deposit their checks right back into the bank. Very neat and orderly, so far.

It is difficult for many of us to swallow—this thing about creating, or manufacturing, money and then charging the borrower a high rate of interest for its use. But it is true, and can be traced to the Federal Reserve Act of 1913, which was passed by a small group of congressmen who stayed late in Washington at the Christmas holidays. The act was signed by President Woodrow Wilson into law late on the night of December 23. By this act, these private corporations were given the right to circulate our money and charge interest for its use—given by a Congress and president in total conflict with Article 1, Section 8 of our Constitution: "Congress shall have power to coin money, regulate the value thereof, and of foreign coin, and fix the value of weights and measures."

Several months ago, the Ninth Circuit Court of California ruled in the case of "Lewis vs United States" that the Federal Reserve System is a private, for-profit, group of corporations. We have seen and heard almost nothing of this staggering decision in the press and electronic media.

## YOU PAY FOR OTHERS' DEBT

I have heard unthinking people declare that they don't care how high the interest rates go—they "don't owe anybody a dime." What a narrow world they live in.

Unless you exist as a hermit, on roots and berries and far away from all civilization, you are paying the interest and other costs of every business you deal with—food, clothing, shelter, utilities, transportation—everything. Just ponder a package of chewing gum, for which you paid 35 cents. Take away all the interest and other costs of the manufacturer, raw materials supplier, broker, warehouseman and vendor, and you will be looking at perhaps two cents worth of product and wrapping.

The more complicated and massive the product, the more the interwoven interest charges permeate it. For instance, a commercial airliner is constructed of tens of thousands of component parts, each carrying an interest burden, and each passing such costs along to the ultimate user.

## DOES ANYONE OWN ANYTHING?

Now for the really big lie: Just days ago we all heard the straight-faced announcement on TV and read in our newspapers that the Fed may have to raise the interest rates for fear that inflation will set in again and ruin the recovery. Pure hogwash. One of the biggest causes of inflation is the high interest rates themselves. As explained above, every business merely adds its interest costs into its selling price—as one of its costs of doing business. Therefore, inflation goes up as interest goes up.

Think of money as the bankers' product. By raising interest rates, they are merely raising the cost of their product, causing everyone else to raise the cost of his product or service to avoid bankruptcy.

The "big lie" technique keeps right on working unless we apply two desirable attributes: morality and common sense. You are, or will be hearing that:

● "It is for the common good of all of us that oil prices be kept high."

● The bail-out of the bankers through adding more billions to the International Monetary Fund (IMF) "will greatly expand employment because the poor, underdeveloped nations can then afford to import more of our manufactured goods."

● Continuing big deficits will "dry up the money supply, increase interest rates and eliminate many of us from buying or building new homes."

(Above article reprinted from The SPOTLIGHT.)



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**AS FOR THE REST OF THE COUNTRY:** your state chairmen, listed below, have great plans underway. Major effort is to create a crowd at a specific bank on a specific day and time. The larger the crowd, the more likely there will be local news coverage. The more the news coverage, the more people hear our message! **IF YOU DO NOT HAVE A SPATE CHAIRMAN OR LIVE AWAY FROM A METROPOLITAN AREA,** try to get people to go with you to a local bank. Contact your local newspaper and tell them about the event (particularly that it is national in scope). Be sure to alert your local bank at least 2 - 3 weeks in advance, as they need time to get the coins. **IF YOUR STATE DOES NOT HAVE A CHAIRMAN,** and if you think you or someone you know could fill the chairman's duties as outlined, please call Senator Metcalf's office (206) 753-7618. Do not assume chairmanship without calling as several more state chairmanships are expected to be filled shortly, including Ohio, Michigan, South Dakota, New Jersey and Texas.

DEBT MONEY AWARENESS WEEK

Alabama	Sen. Don Harrison 205-269-9159	516 S. Perry St. Montgomery, AL 36104	Louisiana	Craig Hattier, Attorney 504-821-3025	Suite 301 2475 Canal St. New Orleans, LA 70119
Arizona	Sen. Wayne Stump 602-242-8515 (office) 602-937-6540 (home)	5831 N. 23rd Ave. Phoenix, AZ 85015	Minnesota	Rep. K. J. McDonald 612-296-8872 (office) 612-955-1623 (home)	301 Carter St. Hastetown, MN 55388
California	John Brannon (businessman) Com. for Monetary Reform 714-524-2443	1349 Vina Del Mar Placentia, CA 92670	Montana	Rep. Tom Asay (406-449-4800 (home & bus) 406-449-4800 (home sec'y.))	RR 2 Forsyth, MT 59327
Connecticut	The Hon. Jack Rudolf 203-853-7779 (home) 203-853-7779 (office) 203-568-8836 (leg)	Skytop Drive East Norwalk, CT 06855		Rep. Ken Nordvedt 406-586-1263 (home) 406-594-1614 (bus.)	118 Sourdough Ridge Bozeman, MT 59715
Florida	The Sentinel Dr. Jack Lipsy, Publ. 813-581-2600	P. O. Box 303 Largo, FL 34294	Nevada	Assem. Erik Beyer 702-747-4053 (home) 702-747-4053 (office)	1274 St. Alberts St. Reno, NV 89503
Idaho	Rep. Robert Forrey 208-466-5500	802 Astor Ave. Nampa, ID 83651	Utah	Sen. Bill Barton 801-968-6964 (off)(business) 801-969-5102 (office)	3940 W. 4100 S. West Valley City, UT 84120
	Rep. Joan Wood 208-745-7846	Rt. 1, Box 21 Rigby, ID 83442	Virginia	Delegate Joe Crouch 804-522-5450 (home off) 804-786-7255 (leg off)	200 Timberlake Place Lynchburg, VA 24502
	Rep. Martin Trillhaase 208-522-0754	Route 4, Box 226 Idaho Falls, ID 83401	Washington	Sen. J. T. Quigg 206-753-7636	109-B Institutions Bldg. Olympia, WA 98504
Illinois	After 1-9-84, the above Idaho chairmen can be reached through the Idaho House of Representatives, Statehouse, Boise, ID 83720. Main # at the capitol is 208-334-2411.	P. O. Box 701 Northbrook, IL 60062	West Virginia	The Hon. A. James Manchin 304-3434000 (off) 304-825-6711 (home)	Secretary of State Charleston, WV 25305
Indiana	C. C. Milton Chicago Duck Clubs 312-729-3825	121 Elm Drive Covington, IN 47932	Wyoming	Sen. Don Cundall 307-836-2887	Handover Rte. Gardnery, WY 82214
Iowa	Rep. Lee Clinegan 317-793-3421 (home) 317-269-3863 (leg)	c/o Trends & Events, Inc. P.O. Box 158 Payette, IA 52142			



January, 1984

F E D E R A L   R E S E R V E   U P D A T E

## DEBT MONEY AWARENESS WEEK

February 12 - 19, 1984

NEITHER SNOW NOR HAIL NOR DARK OF NIGHT delays the mail - BUT snow in Seattle (unheard of!) and frozen pipes at the printers and computer breakdowns DO! This, our December issue, is finally being mailed the second week in January!

COUNTDOWN TO KICKOFF: Our massive kickoff has been scheduled for noon to 2 p.m. on Sunday, February 12th. Seattle Center is the place. We will have a festive atmosphere, a 12:45 rally with speeches and Washington State DMAW Chairman, State Senator J. T. Quigg and national chairman, State Senator Jack Metcalf will be there (with as many other dignitaries as possible.) We are rounding up a solid crowd (we hope to have 3 - 4,000 people!) who will come to exchange their paper money for coin. We will have armored cars and security and dollars and half dollars available for exchange. This demonstration is being planned specifically to kick off the activities nationwide and if we get a big enough crowd, there is no doubt the event will be covered by the networks nightly news! All Washington members, plan to get carloads - bus loads - train loads (!?) - and bring them to the exchange! It's our chance to demonstrate to the people of this nation that we pay interest on our money in circulation. It's our chance to demonstrate to Congress that there are people out here who want this nonsense stopped!

WATCH YOUR TV GUIDE: There are 4 major steps to securing a national TV appearance. We are on step 3 with 5 different shows, but at this writing we cannot tell you when Senator Metcalf will appear. As it is impossible to put out an UPDATE when we do get the dates, we will advise state chairmen. NOTE: Our original contact with Larry King Show (ABC Radio) was excellent, but now they are backing off - so calls into the Larry King show asking to have Senator Metcalf on the show will be appreciated!

GET YOUR DMAW DOLLARS NOW: At the request of several members, we have produced a "handout" explaining Debt Money Awareness Week. They are in the form of "dollars" with our message inside. A page of them is enclosed that can be duplicated for use either by printing or photocopying. Be sure to get both sides! Your state chairman has camera ready art if you wish to have a better quality print on your "dollars".

BUDGET NEARLY MET: Thanks to everyone's generosity, our budget has nearly been met. However, we are still about \$2,000 short - and that money will be needed to get Senator Metcalf to TV interviews. So, if you have been putting off sending in a contribution, please send today! Contributions keep us going - mentally as well as paying the bills. One particular day when Murphy's laws were being proven left and right, the mail came in and there were dozens of small checks and three very large ones! What a boost to our flagging energies! Because we are still not completely changed over to our own computer for our lists, we have not been able to send "THANK YOU" notes and hope you will accept this as our heartfelt thanks for your support of this effort. After long hours trying to get everything accomplished, it is often the knowledge of the support of the thousands of HMA members that keeps us going.